

FRANKENMUTH CITY-TOWNSHIP COMMISSION
Frankenmuth, Michigan

FINANCIAL STATEMENTS
December 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name FRANKENMUTH CITY-TOWNSHIP COMMISSION	County SAGINAW
Audit Date 12/31/04	Opinion Date 6/10/05	Date Accountant Report Submitted to State: 7/21/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

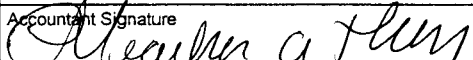
Certified Public Accountant (Firm Name) GARDNER, PROVENZAN, SCHAUMAN&THOMAS, P.C.			
Street Address 4855 STATE STREET	City SAGINAW	State MI	ZIP 48603
Accountant Signature 		Date HEATHER A. THOMAS, CPA	

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Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

June 10, 2005

Frankenmuth City-Township Commission
Frankenmuth, Michigan

We have audited the financial statements of the governmental activities of Frankenmuth City-Township Commission as of and for the year ended December 31, 2004, which collectively comprise the Frankenmuth City-Township Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Frankenmuth City-Township Commission as of December 31, 2004, and the results of its operations for the year then ended in conformity with generally accepted accounting principles in the United States of America and with applicable rules and regulations of the State Treasurer.

Frankenmuth City-Township Commission
Frankenmuth, Michigan
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As described in Note 6, the Commission has implemented a new financial reporting model, as required by the provisions of the GASB Statement No.34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as of January 1, 2004.

The management’s discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements, but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supplemental financial information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Frankenmuth City-Township Commission. Such information has been subjected to the auditing procedures applied to the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Gardner, Prusenyamo, Schauman & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

FRANKENMUTH CITY-TOWNSHIP COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Frankenmuth City-Township Commission's (Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ended December 31, 2004. This fiscal year, the Commission fully implemented the Government Standards Board's (GASB) Statement No.34. Since this is the first year of adoption, prior year comparison is not available. The comparison will be available in future years.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish between functions of the Commission that are principally supported by contributions from other governments and charges for services. The governmental activities of the Commission include general government, fire protection, cemetery, and debt services.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission are governmental funds.

FRANKENMUTH CITY-TOWNSHIP COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Overview of the Financial Statements (continued)

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Commission maintains four governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Fire, Cemetery and Debt Service funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commission's budget.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Commission, net assets increased by \$49,823 to \$417,907 at December 31, 2004.

The largest portion of the Commission's net assets (59%), reflects unrestricted net assets that may be used to meet the government's ongoing obligations. The second largest portion of net assets (38%) reflects its investments in capital assets (e.g., building, equipment and furniture, construction in progress, land improvements and vehicles) less any debt used to acquire those assets that are still outstanding. The Commission uses these capital assets to provide service to citizens. Although the Commission's investment in its capital assets is reported

FRANKENMUTH CITY-TOWNSHIP COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Overview of the Financial Statements (continued)

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS (continued)

net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Commission's net assets (3%) represents resources that are restricted for debt services.

Frankenmuth City-Township Commission's Net Assets

	Government Activities
Assets	
Current assets	\$ 260,534
Noncurrent assets	356,718
Total Assets	<u>617,252</u>
Liabilities	
Noncurrent liabilities	199,343
Total Liabilities	<u>199,343</u>
Net Assets	
Investment in capital assets-net of related debt	157,375
Restricted	14,307
Unrestricted	246,227
Total Net Assets	<u>\$ 417,909</u>

As of December 31, 2004, the Commission is able to report positive balances in all three categories of net assets.

FRANKENMUTH CITY-TOWNSHIP COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Overview of the Financial Statements (continued)

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS (continued)

The Commission's net assets increased by \$49,823 for the year ended December 31, 2004.

	<u>Governmental Activities</u>
Revenues	
Program revenue	
Charges for services	\$ 10,330
Operating grants and contributions	191,078
General revenue	
Unrestricted investment earnings	2,287
Contributions for debt	125,221
Total Revenues	<u>328,916</u>
Program Expenses	
General government	30,497
Fire protection	86,408
Cemetery	2,436
Interest on long term debt	14,146
Depreciation	145,606
Total Program Expenses	<u>279,093</u>
Change in Net Assets	49,823
Net Assets-Beginning	368,086
Net Assets-Ending	<u>\$ 417,909</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

General Fund – The General Fund balance increased by \$11,900. This was a much greater increase than anticipated. Actual revenues were greater than anticipated revenues, mainly due to a donation received for the Fire Truck display that had not been budgeted for.

Actual expenditures were less than anticipated due to less than anticipated costs for snow removal and capital outlay.

FRANKENMUTH CITY-TOWNSHIP COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (continued)

Fire Fund – The Fire Fund had an increase in fund balance of \$29,052. This also was much greater than anticipated due to the following factors:

- Receipts from the Township of Tuscola were \$1,700 over budget due to an increased number of fire assistance runs provided over the anticipated number.
- Fire equipment maintenance costs were approximately \$2,900 less than anticipated.
- Fireman physicals were approximately \$1,940 less than budgeted due to no new firefighters added during 2004.
- Other expenses were under budget by approximately \$3,000 due to less than anticipated costs associated for the Fireman's Ball as compared to normal costs for a Christmas dinner for firefighters in 2003.
- Capital Outlay was approximately \$14,000 less than budgeted due to anticipated purchases not taking place until 2005. \$9,000 was carried forward to the 2005 budget.

Cemetery Fund – The Cemetery Fund had an increase in fund balance of \$8,610. This was greater than anticipated due to the new fence costing substantially less than budgeted, which was established from a bid received in the fiscal year 2003.

General Fund Budgetary Highlights – The Commission made revisions to the original appropriations as approved by the Board. The variance in the final budgeted revenues as compared to actual results is mainly due to a donation in the amount of \$5,198 for a fire truck display case. This donation was used as a progress payment for the display case being built for the display of a 1908 Fire Engine. The donation was from a fund the fire department collected to fund the 100th Anniversary of the founding of the Frankenmuth Fire Department. There will be additional entries of a similar nature in 2005 until the display case is completed.

The variance in the final budgeted expenditures as compared to actual is mainly due to less capital outlay expenditures that expected.

Capital Assets – The Commission's investment in capital assets for its governmental activities as of December 31, 2004, amounts to \$356,718 (net of accumulated depreciation). This investment in capital assets includes equipment and furniture, land improvements, vehicles, a building and construction in progress. Significant capital assets acquired during the year include a cemetery fence, tables and chairs and construction in progress for a fire truck display case. The Commission has plans to purchase a compressor and a generator in the fiscal year ending December 31, 2005.

FRANKENMUTH CITY-TOWNSHIP COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (continued)

Debt Administration – At the end of the fiscal year, the Commission had total debt of \$199,343. The total consists of an installment note on a fire truck.

Current Known Facts:

At the present time, there is a spatial needs study being conducted by the City of Frankenmuth and Frankenmuth Township to determine present and future needs for all entities of local government, including the two governmental entities, the Police Department and the Fire Department. This may entail some renovations of the City Township Building to accommodate increased spatial needs of the Police Department and the Fire Department, and the Frankenmuth Township offices. It is unlikely that any of these changes will take place prior to 2006.

The Frankenmuth Fire Department has applied for a Homeland Security Grant for the purchase of a large generator that would provide electrical power for the Fire and Police Departments in the event of power outages. This also would likely not take place until 2006.

The Debt Service Fund has paid off the loan for one of the two recent purchases. In order to provide funds for a future purchase, \$80,000 has been budgeted for 2005. No date has been set for this purchase at this time.

The Fire Truck display case has been completed at a cost of approximately \$20,000. This was funded totally by community donations.

BASIC FINANCIAL STATEMENTS

Frankenmuth City-Township Commission
Government-wide Statement of Net Assets
December 31, 2004

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 243,035
Prepaid expenses	17,499
Total Current Assets	<u>260,534</u>
Noncurrent Assets	
Net capital assets	<u>356,718</u>
Total Noncurrent Assets	<u>356,718</u>
Total Assets	<u>617,252</u>
LIABILITIES	
Noncurrent liabilities	
Due within one year	49,836
Due in more than one year	<u>149,507</u>
Total Noncurrent Liabilities	<u>199,343</u>
NET ASSETS	
Invested in capital assets, net of related debt	157,375
Restricted	14,307
Unrestricted	<u>246,227</u>
Total Net Assets	<u>\$ 417,909</u>

See accompanying notes to financial statements.

Frankenmuth City-Township Commission
Government-wide Statement of Actives
For the Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets
Governmental activities:					
General Government	\$ (30,497)	\$ 10,330	\$ 36,757	\$ -	\$ 16,590
Fire protection	(86,408)	-	122,275	-	35,867
Cemetery	(2,436)	-	17,900	-	15,464
Interest on Long Term Debt	(14,146)	-	14,146	-	-
Depreciation (unallocated)	(145,606)	-	-	-	(145,606)
Total governmental activities	<u>(279,093)</u>	<u>10,330</u>	<u>191,078</u>	<u>-</u>	<u>(77,685)</u>
General Revenues:					
Unrestricted investment					2,287
Contributions for debt principal payments					<u>125,221</u>
Total general revenues					<u>127,508</u>
Change in net assets					49,823
Net assets - beginning					<u>368,086</u>
Net assets - ending					<u>\$ 417,909</u>

The accompanying notes are an integral part of these financial statements.

Frankenmuth City-Township Commission
Combined Balance Sheet-All Fund Types
As of December 31, 2004

		Governmental Fund Types				
		<u>General</u>	<u>Fire Fund</u>	<u>Cemetery</u>	<u>Debt Service</u>	<u>Totals</u>
Assets						
Current Assets						
Cash		\$ 61,098	\$ 130,277	\$ 37,353	\$ 14,307	\$ 243,035
Prepaid expenses		5,575	11,924	-	-	17,499
Total Assets		<u>\$ 66,673</u>	<u>\$ 142,201</u>	<u>\$ 37,353</u>	<u>\$ 14,307</u>	<u>\$ 260,534</u>
Fund Balance						
Reserved		-	-		14,307	14,307
Undesignated		66,673	142,201	37,353	-	246,227
Total fund balance		<u>66,673</u>	<u>142,201</u>	<u>37,353</u>	<u>14,307</u>	<u>260,534</u>

See accompanying notes to financial statements.

Franknemuth City-Township Commison
Reconciliation of the Balance Sheet
To the Statement of Net Assets
December 31, 2004

Fund balances of governmental funds	\$	260,534
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.

Cost of the capital assets	1,889,750
Accumulated depreciation	(1,533,032)

Long-term liabilities, including bonds payable, are not due and payable in the current period; and therefore, are not reported in the funds.

Installemnt note due	(199,343)
Net assets of governmental activities	<u>\$ 417,909</u>

See accompanying notes to the financial statements.

Frankenmuth City-Township Commission
Combined Statement of Revenues, Expenditures
and Changes in Fund Balance-All Governmental Fund Types
For the Year Ended December 31, 2004

	General	Fire	Cemetery	Debt Service	Total
Revenues					
City of Frankenmuth	\$ 23,344	\$ 85,121	\$ 13,241	\$ 103,090	\$ 224,796
Township of Frankenmuth	8,215	29,954	4,659	36,277	79,105
Township of Tuscola	-	5,200	-	-	5,200
Interest	508	1,175	456	148	2,287
Hall rental	10,330	-	-	-	10,330
Donations	5,198	2,000	-	-	7,198
Total Revenues	<u>47,595</u>	<u>123,450</u>	<u>18,356</u>	<u>139,515</u>	<u>328,916</u>
Expenditures					
Auditing and accounting services	1,120	-	-	-	1,120
Wages and payroll taxes	2,907	21,898	1,825	-	26,630
Operating supplies	997	5,151	-	-	6,148
Insurance	5,865	13,764	-	-	19,629
Telephone	1,154	-	-	-	1,154
Repair and maintenance	6,356	14,098	260	-	20,714
Utilities	8,754	-	-	-	8,754
Gas and oil	-	1,249	-	-	1,249
Capital outlay	5,198	7,990	7,230	-	20,418
Dues and subscriptions	-	390	-	-	390
Training and education	-	2,540	-	-	2,540
Outside services	3,344	975	-	-	4,319
Other	-	2,659	96	-	2,755
Equipment Rental	-	-	255	-	255
Firemen physicals	-	560	-	-	560
Re-certification	-	1,775	-	-	1,775
Pager rental	-	3,349	-	-	3,349
Professional services	-	18,000	-	-	18,000
Principal payments on note	-	-	-	125,000	125,000
Interest expense	-	-	-	14,146	14,146
Total Expenditures	<u>35,695</u>	<u>94,398</u>	<u>9,666</u>	<u>139,146</u>	<u>278,905</u>
Excess (deficiency) of revenues over expenditures	11,900	29,052	8,690	369	50,011
Fund balance, beginning	54,773	113,149	28,663	13,938	210,523
Fund balance, ending	<u>\$ 66,673</u>	<u>\$ 142,201</u>	<u>\$ 37,353</u>	<u>\$ 14,307</u>	<u>\$ 260,534</u>

See accompanying notes to the financial statements.

Frankenmuth City-Township Commission
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2004

Net change in fund balances --total governmental funds	\$ 50,011
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.	
Depreciation expense	(145,606)
Capital Outlay	20,418
The proceeds of a capital lease provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.	
Repayment of installemnt note	125,000
Change in net assets of governmental activities	<u>\$ 49,823</u>

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

FRANKENMUTH-CITY TOWNSHIP COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

The City of Frankenmuth and the Township of Frankenmuth formed the Frankenmuth City-Township Commission (Commission) on April 5, 1960, to manage jointly owned property and equipment. Both entities appoint two council members to serve as Commissioners. Funding from each entity is based upon a pro rated share of the budget from a percentage calculated by dividing each entity's state equalized value at December 31 by the total state equalized value of the two entities combined at December 31.

The accounting policies of the Commission conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

The Reporting Entity

As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include only those of the Frankenmuth City-Township Commission (the primary government.) The Commission does not have any component units.

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the Commission. The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Contributions and other items not properly included among program revenues are reported instead as general revenues.

Fund Accounting

The accounts of the Commission are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures. The various funds and account groups are grouped as follows in the financial statements.

FRANKENMUTH-CITY TOWNSHIP COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Governmental Funds

General Fund – The General Fund is the general operating fund of the Commission. It is used to account for all financial resources except those that are required by law to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative actions.

Debt Service Funds – Debt Service Funds are used to record the payment of general long-term debt principal, interest, and related cost.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets, and the Statement of Activities presents increase (revenue) and decrease (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued

FRANKENMUTH-CITY TOWNSHIP COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences and arbitrage are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are charges for service, interest income and contributions.

Budget and Budgetary Accounting

The Commission uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. An annual budget is prepared by the Commission's Treasurer and is approved at the December board meeting.
2. After approval, the budget is sent to both the City and Township of Frankenmuth for final approval of revenues.

Cash and Cash Equivalents

Cash includes demand deposits and a CD. The Commission considers all short-term investments purchased with a maturity of three months or less to be cash equivalents.

Prepaid Items

Prepaid balances are for payments made by the Commission in the current year to provide services occurring in the subsequent fiscal year.

Capital Assets

Capital assets, which include equipment and furniture, land improvements; vehicles, a building, and construction in progress are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

FRANKENMUTH-CITY TOWNSHIP COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Capital Assets (continued)

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Building	15 years
Equipment and furniture	3-12 years
Land improvements	12-20 years
Vehicles	8 years

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

FRANKENMUTH-CITY TOWNSHIP COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Cash

All of the funds of the Commission operate through common cash checking and savings accounts. Each fund's share of the balance is reported separately. The bank balance of deposits at December 31, 2004, was \$17,404 with \$5,404 in checking and \$12,000 in a corporate sweep account. In addition, the balance of the CD was \$226,235. The FDIC insures up to \$100,000 in demand deposits; however, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as separate deposits for the \$100,000 limitation. The FDIC does not insure the Investment Sweep Account. A summary of cash and investments follow:

	Total	Insured	Collateralized	Uninsured Uncollateralized
Cash	\$ 5,404	\$ 5,404	\$ -	\$ -
Investment Sweep Account	12,000	-	-	12,000
CD	226,235	94,596	-	131,639
Totals	<u>\$ 243,639</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 143,639</u>

The Commission is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The Commission is also authorized to invest in the following:

- a. U.S. Treasury Bills, U.S. Treasury Notes, U.S. Treasury Bonds, and U.S. Treasury STRIPS,
- b. TINTS – Treasury Interest Securities,
- c. PRINS or STRIPS – Treasury Principal Securities,
- d. Certificates of Deposit, Saving Deposit Receipt and Savings Accounts,
- e. Commercial Paper – short term unsecured debt obligation issued by a bank holding company, finance company, utility or industrial company to raise short term cash,
- f. Repurchase Agreements,
- g. Banker's Acceptance, and
- h. Investment Pools.

FRANKENMUTH-CITY TOWNSHIP COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Capital Assets

	Balance January 1, 2004	Additions	Disposals	Balance December 31, 2004
GOVERNMENTAL ACTIVITIES				
Capital assets subject to depreciation				
Equipment and furniture	68,916	7,990		76,906
Land Improvements	22,797	7,230		30,027
Vehicles	1,288,872	-		1,288,872
Building	488,747	-		488,747
Construction in progress	-	5,198	-	5,198
Subtotal	<u>1,869,332</u>	<u>20,418</u>	<u>-</u>	<u>1,889,750</u>
Accumulated Depreciation				
Equipment and furniture	12,975	6,488		19,463
Land Improvements	2,092	1,598		3,690
Vehicles	891,825	136,840		1,028,665
Buildings	480,534	680		481,214
Subtotal	<u>1,387,426</u>	<u>145,606</u>	<u>-</u>	<u>1,533,032</u>
Net capital assets being depreciated	<u>481,906</u>	<u>(125,188)</u>	<u>-</u>	<u>356,718</u>
Net governmental capital assets	<u>\$ 481,906</u>	<u>\$ (125,188)</u>	<u>\$ -</u>	<u>\$ 356,718</u>

Depreciation expense was not charged to activities as the Commission considers its capital assets to impact multiple activities and allocation is not practical.

NOTE 4--Long-Term Debt

The following summarizes long-term debt transactions:

	Balance 12/31/2003	Additions	Deletions	Balance 12/31/2004	Current Portion
Aerial fire truck municipal purchase agreement 4.9% interest, due 9/01/04	\$ 105,000	\$ -	\$ 105,000	\$ -	\$ -
Fire truck installment purchase contract, 4.18% interest, due 12/01/08	219,343	-	20,000	199,343	49,836
	<u>\$ 324,343</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 199,343</u>	<u>49,836</u>

FRANKENMUTH-CITY TOWNSHIP COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Long-Term Debt (continued)

The annual requirements to pay future principal and interest are as follows:

Year Ended December 31,	Principal	Interest	Total
2005	49,836	8,448	58,284
2006	49,836	6,336	56,172
2007	49,836	4,224	54,060
2008	49,835	2,118	51,953
Total	<u>\$ 199,343</u>	<u>\$ 21,126</u>	<u>\$ 220,469</u>

The interest expense for 2004 was \$14,146

NOTE 5--Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2004, the commission carried commercial insurance for the above listed risks of loss.

NOTE 6--GASB Pronouncements Adoption

As of and for the year ended December 31, 2004, the Commission implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- *No.34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- *No.37 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- *No.38 – Certain Financial Statement Note Disclosures*

Interpretations

- *No.6 – Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005.

FRANKENMUTH-CITY TOWNSHIP COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6--GASB Pronouncements Adoption (continued)

The more significant of the changes required by the new standards include:

Basic financial statements that include:

- Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
- Fund financial statements;
- Schedules to reconcile the fund financial statements to the government-wide financial statements;
- Budgetary schedules;
- Notes to the basic financial statements.

As a result of implementing the GASB 34 statement, the following restatements were made to the beginning balance of net assets:

<u>As of January 1, 2004</u>	
Fund Balance-Governmental Activities	\$ 210,523
Capital Assets	1,869,332
Accumulated Depreciation	(1,387,426)
Long-term Debt	<u>(324,343)</u>
Net Assets-Governmental Activities	<u>\$ 368,086</u>

Reserved Fund Balance

The Debt Service fund balance is reserved for future debt service payments.

REQUIRED SUPPLEMENTAL INFORMATION

Frankenmuth City-Township Commission
Required Supplemental Information-General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
City of Frankenmuth	23,345	\$ 23,345	23,344	\$ (1)
Township of Frankenmuth	8,215	8,215	8,215	-
Interest	200	200	508	308
Hall rental	12,000	12,000	10,330	(1,670)
Donations		-	5,198	5,198
Total Revenues	<u>43,760</u>	<u>43,760</u>	<u>47,595</u>	<u>3,835</u>
Expenditures				
Auditing	1,200	1,200	1,120	(80)
Computer service	250	250	-	(250)
Wages and payroll taxes	2,910	2,910	2,907	(3)
Operating supplies	700	1,000	997	(3)
Insurance	5,700	7,100	5,865	(1,235)
Telephone	1,000	1,200	1,154	(46)
Repair and maintenance	8,300	9,000	6,356	(2,644)
Utilities	8,400	9,000	8,754	(246)
Capital outlay	10,000	10,000	5,198	(4,803)
Outside services	4,900	4,900	3,344	(1,557)
Other	400	400	-	(400)
Total Expenditures	<u>43,760</u>	<u>46,960</u>	<u>35,695</u>	<u>(11,265)</u>
Excess (deficiency) of revenues over expenditures	-	(3,200)	11,900	15,100
Fund balance, beginning	54,773	54,773	54,773	-
Fund balance, ending	<u>\$ 54,773</u>	<u>\$ 51,573</u>	<u>\$ 66,673</u>	<u>\$ 15,100</u>

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

Frankenmuth City-Township Commission
Fire Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004

	Budget	Actual	Over (Under) Budget
Revenues			
City of Frankenmuth	\$ 85,121	\$ 85,121	\$ -
Township of Frankenmuth	29,954	29,954	-
Township of Tuscola	3,500	5,200	1,700
Interest	500	1,175	675
Donations	500	2,000	1,500
Total Revenues	<u>119,575</u>	<u>123,450</u>	<u>3,875</u>
Expenditures			
Wages and payroll taxes	22,000	21,898	(102)
Operating supplies	2,500	5,151	2,651
Insurance	17,700	13,764	(3,936)
Repair and maintenance	17,000	14,098	(2,902)
Gas and oil	1,500	1,249	(251)
Capital outlay	22,000	7,990	(14,010)
Dues and subscriptions	475	390	(85)
Training and education	3,000	2,540	(460)
Transportation	100	-	(100)
Outside services	1,000	975	(25)
Other	6,900	2,659	(4,241)
Firemen physicals	2,500	560	(1,940)
Re-certification	1,800	1,775	(25)
Pager rental	3,400	3,349	(51)
Professional services	18,000	18,000	-
Total Expenditures	<u>119,875</u>	<u>94,398</u>	<u>(25,477)</u>
Excess (deficiency) of revenues over expenditures	(300)	29,052	29,352
Fund balance, beginning	113,149	113,149	-
Fund balance, ending	<u>\$ 112,849</u>	<u>\$ 142,201</u>	<u>\$ 29,352</u>

See accompanying notes to financial statements.

Frankenmuth City-Township Commission
Cemetery Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004

	Budget	Actual	Over (Under) Budget
Revenues			
City of Frankenmuth	\$ 13,241	\$ 13,241	\$ -
Township of Frankenmuth	4,659	4,659	-
Interest	400	456	56
Total Revenues	<u>18,300</u>	<u>18,356</u>	<u>56</u>
Expenditures			
Wages and payroll taxes	2,700	1,825	(875)
Repair and maintenance	300	260	(40)
Capital outlay	30,000	7,230	(22,770)
Equipment rental	400	255	(145)
Other	100	96	(4)
Total Expenditures	<u>33,500</u>	<u>9,666</u>	<u>(23,834)</u>
Excess (deficiency) of revenues over expenditures	(15,200)	8,690	23,890
Fund balance, beginning	28,663	28,663	-
Fund balance, ending	<u>\$ 13,463</u>	<u>\$ 37,353</u>	<u>\$ 23,890</u>

See accompanying notes to financial statements.